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SUBJECT: FOREST MAFIA ADAPTS TO THE ECONOMIC CRISIS

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Introduction

1. Despite lower demand for wood products due to the global economic crisis and implementation of the Lacey Act Amendment, illegal logging in Russia continues at critical levels. Approximately 70 percent of Russia's forests are concentrated in the Russian Far East and Siberia in close proximity to China and other main timber markets in the Asia Pacific Region. Logging activity and exports increased significantly in 1990s due to the high demand for timber in those countries. According to the World Wildlife Fund, official customs documents show that the volume of timber officially declared and exported from Russia to China and Japan is at least 20 percent lower than the volume officially imported by those countries. That difference accounts for just some of the illegal timber leaving Russia. Enormous illegal harvests of cedar and other valuable or rare species have been occurring throughout the region, including within supposedly protected nature preserves with far reaching ecological and social impacts.

Increased Tariffs Lead to Greater Illegal Exports

2. Legal exports remained high until 2007, when, in order to encourage domestic reprocessing of Russian timber, the Kremlin increased export tariffs for round wood to 20 per cent of its delivery price. The tariff was again increased by 25 per cent in April 2008. China and Japan remained the main consumers of wood, though volumes of timber export decreased slightly. As a result, wood export via Grodekovo, the main railroad customs point in Primorye, decreased from 7.3 million tons in 2007 to 6.2 million tons of timber in 2008. Moscow had planned to further increase the tariff to 80 per cent in January 2009 -- a level that in effect serves as a timber export ban -- but has postponed its implementation for a year. An environmental contact of the Consulate stated that though the current financial crisis has lowered overall demand for wood products, the proportion of illegally-harvested wood will increase because of increased export tariffs and declining profitability for larger, legal logging firms. Demand for hard wood is down, but demand for soft wood, like pine, is up. Pine nuts are a source of sustenance for wild boar, which are in turn a food source for predators like leopards and tigers.

Poaching Occurs Throughout the Russian Far East

3. Illegal logging is generally concentrated in border areas, where it is less expensive to ship wood to processing facilities in China. The largest illegal cutting operations in Russia are located in the areas of the Russian Far East and Siberia neighboring China. Primorye is a leading area for illicit cutting, but numerous illegal operations have been discovered in

Khabarovsk Krai, and Amur and Jewish Autonomous Oblasts in 2008.

In summer 2008 authorities discovered a poaching operation in the Dalnerechensk district north of Vladivostok that had illegally clear cut over 2,300 cubic meters of timber including 1,500 cubic meters of Korean Cedar. That endangered species is very popular in China for furniture and the pine nuts provide important sustenance for regional fauna.

14. In 2008, Oleg Mitvol, former Director of Rosprirodnadzor (Russia's Federal Service for Supervision of Natural Resources) reported numerous timber industry violations in Amur Oblast. Investigators found documentation stating that 6,000 cubic meters of timber was officially harvested in the oblast's Shimanovsk district, but railroad documents recorded 56,000 cubic meters of timber shipped from the district over the same period.

How It's Done

15. Smugglers use various ways to illicitly export illegal timber, most of which are able to pass through customs inspections and established border crossings using fake documents and fraudulent declarations. Often companies mix illegally harvested wood into shipments of legally procured product. They also make customs declarations passing off valuable and prohibited species as low-value, legal timber. Smugglers of course also resort to clandestine export without documents and through unguarded areas of the border. In early January, authorities caught a Chinese company attempting to export 4,000 cubic meters of oak and ash valued at 2 million dollars from Primorye using fake export documents.

16. Illegal export often involves corruption and complicity by the authorities. Two officers from the Khabarovsk Regional Service for Economic Crimes who were detained in spring 2007 were eventually found guilty of abuse of office while aiding Chinese and Russian logging companies in illegally harvesting

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and exporting Russian timber. Though it is a positive sign that officials were found guilty of corruption, their penalty was light -- in early 2008, their sentences were suspended and they were released, though guidelines allowed for prison terms of up to ten years.

Rangers and Citizens Demand Help to Fight Poachers

17. Last year, a group of 38 Primorye park rangers and environmentalists sent a petition to Prime Minister Vladimir Putin asking him to transfer management the region's forests from Primorye authorities to the Federal Forestry Agency. The signatories asserted that the regional government is consistently failing to fulfill its responsibility to prevent illegal logging. Although a new Federal Forest Code came into effect in January 2007 requiring regional authorities to protect woodlands, Primorye officials have yet to create and adequately fund an effective forest management system. Residents frustrated by inaction have staged protests to attract attention to illegal logging and have even tried to take forest protection into their own hands. The World Wildlife Fund's (WWF) Russian Far East branch and other environmental organizations often lend support.

18. In summer 2008, residents of a village north of Vladivostok staged a protest against officially-approved "sanitary cutting," when logging companies harvest dead trees and clean woodlands after wildfires. According to villagers, loggers instead clear cut everything, including healthy trees and left behind wastelands in place of viable forests. Loggers have taken advantage of the fact that forest rangers, suffering from a lack of regional funding, have drastically reduced staff and curtailed patrols.

19. Loggers are reportedly now setting their sights on 22,000

hectares of premium restricted forest in Pozharskiy Rayon. Setting a dangerous precedent, authorities issued three permits in 2007 to cut 5,600 cubic meters of timber after a seasonal wildfire had occurred. In the wake of this year's spring wildfires authorities increased the quota to 20,000 cubic meters in order to "clean up" the area. Local villagers suspect that most of that quota will come from perfectly healthy trees unaffected by fire. Denis Smirnov, coordinator of the World Wildlife Fund's forestry program in Primorye, told the Consulate Econ section that he suspected loggers may set fire to woodlands in order to obtain permission to log the areas afterward. He affirmed that environmentalists are ready to support villagers in protecting the forests.

Retribution Against Environmentalists

¶10. This past winter, unknown perpetrators set ablaze the house of Yuriy Bersenev, a WWF project coordinator who works to safeguard protected nature reserves. Two earlier attempts to threaten or endanger WWF staff, including another case of arson, occurred last month in the village of Novaya Moskva in southeastern Primorye. According to WWF and nature preserve workers, the local "Forest Mafia" -- a band of people engaged in illegal timber cutting -- has openly declared war on those working to preserve forests and enforce environmental laws. Bersenev said the escalation is a result of the weakness of national forest legislation and rampant corruption in the Russian Far East. The perpetrators of both cases remain unknown.

Villagers Suffer in More Ways than One

¶11. Along with dealing with the effects of illegal logging, honest villagers also face trouble following local laws themselves. For example, when large logging companies own the rights to forests nearby, villagers are often forced to travel twenty kilometers or more to legally gather firewood for their own subsistence. Such a story was confirmed by the Consul General during his visit to the remote town of Krasny Yar, an eleven hour drive from Vladivostok. The town is surrounded by birch, cedar, and pine forest, but residents are prohibited from gathering wood nearby.

Lack of Jobs Leads to Poaching

¶12. Many villages throughout the region were originally established as logging towns during the Soviet era. Legitimate job opportunities have dwindled since then, and the current global financial crisis has made life there even more difficult. Many of the jobless former-loggers have resorted to smaller-scale, ad-hoc -- and illegal -- harvesting of wood. Providing their services to the "Forest Mafia" is often their only source of income. With the drop in industrial production

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over the border in China, the price of a cubic meter of spruce has dropped from 120 USD to 60. Established companies are often finding it more profitable to use the services of these out-of-work villagers cutting down trees in unauthorized areas than to use legal, established channels.

Conclusion

¶13. According to WWF expert Smirnov, 50 percent of soft wood and 90 percent of hardwood harvested in the Russian Far East and Siberia eventually ends up in the US as finished goods after being processed in China. The Lacey Act Amendment, which requires documentation that wood products sold in the U.S. were obtained legally and sustainably, may help stem the flow of illegal timber coming from the Russian Far East. Post would welcome and be happy to assist NGO's or USG experts who could provide timber companies with briefings on the Lacey Act

Amendment and the implications for wood products originating in
Russia.
Armbruster